

Message Text

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ACTION EB-11

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INFO AMEMBASSY BELGRADE

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AMEMBASSY COPENHAGEN

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: ETRD, BEXP, HU

SUBJ: INTENTION TO ESTABLISH SECOND JOINT COMPANY
IN HUNGARY ANNOUNCED

REF: BUDAPEST 1383

1. PLANS HAVE BEEN ANNOUNCED TO ESTABLISH JOINT
HUNGARIAN-DANISH COMPANY IN HUNGARY MAKING USE OF
HUNGARIAN LAW PERMITTING FOREIGN PARTICIPATION.
ANNOUNCEMENT OF PLANS FOR ESTABLISHMENT OF SECOND
JOINT COMPANY FOLLOWS BY ONLY THREE WEEKS NEWS THAT
SIEMENS CORPORATION WOULD PARTICIPATE IN HUNGARIAN
JOINT VENTURE IN ELECTRONICS AREA. (SEE REFTEL)

2. PARTNERS IN HUNGARIAN-DANISH UNDERTAKING WILL
BE FOREIGN TRADING COMPANY ARTEX AND THE NIELSEN
CORPORATION, A DANISH MANUFACTURER OF SPORTING GOODS.
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ACCORDING TO PRESS REPORTS IN ECONOMIC DAILY VILAGGAZDASAG,

JOINT COMPANY WILL BE USED TO TRANSMIT LATEST TECHNOLOGY FOR MAUFACTURE OF FOOTBALLS AND OTHER SPORTING EQUIPMENT AND EXPORT THESE PRODUCTS TO HARD-CURRENCY AREAS. THE NEW JOINT ENTERPRISE IS SCHEDULED TO BEGIN OPERATION ON JAN 1, 1975. WHILE NO FURTHER DETAILS GIVEN ON PRECISE NATURE OF PROPOSED ARRANGEMENTS, IT APPEARS THAT JOINT COMPANY WILL ENGAGE IN TECHNOLOGY TRANSFER, AND MARKETING ONLY AND NOT IN ACTUAL PRODUCTION. WE ENDEAVORING TO OBTAIN MORE INFORMATION ON PRECISE NATURE OF ARRANGEMENTS AND WILL FORWARD THESE WHEN RECEIVED.

3. COMMENTS: THE ANNOUNCEMENT THAT A SECOND JOINT COMPANY WILL BE ESTABLISHED IN HUNGARY COMING ON HEELS OF NEWS THAT FIRST SUCH COMPANY WOULD BE SET UP, REINFORCES OUR IMPRESSION THAT HUNGARIANS HAVE DECIDED TO TAKE BIG STEP FORWARD AND MAKE USE FOREIGN PARTICIPATION LAW OF 1969 PERMITTING ESTABLISHMENT OF JOINT ENTERPRISES IN HUNGARY WITH UP TO 49 PERCENT FOREIGN OWNERSHIP TO ENGAGE IN RESEARCH, DEVELOPMENT, AND MARKETING. WITH THESE TWO BREAK-THROUGHS, IT WOULD APPEAR THAT THE ESTABLISHMENT OF A NUMBER OF SIMILAR JOINT COMPANIES CAN BE EXPECTED. IT IS, HOWEVER, LESS CERTAIN IF HUNGARY IS PREPARED TO GO ONE STEP FURTHER AND IMPLEMENT 1972 LEGISLATION WHICH THEORETICALLY PERMITS THE ESTABLISHMENT OF JOINT COMPANIES ENGAGING IN ACTUAL PRODUCTION. PEDERSEN

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